No Need To Reform Social Security, Markets Already Privatized It

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Policy types are invariably looking into the past, and their tendency to do this is rooted in a wildly flawed conceit that they're smarter than the markets. No, they're not, and this is true even when policy types have a free market lean. They too frequently miss that the people are the markets, and their combined wisdom is always well ahead of them. That's why central planning fails, always and everywhere.

The former Soviet Union, North Korea, and Cuba didn't and don't lack experts, but singular genius never measures up to the marketplace. Social Security reformers will soon have to own up to this truth. While they were seeking surely laudatory solutions from government, markets worked as they always have. Consider the state of the 55+ set in the United States to see why.

According to a recent report in the *Wall Street Journal*, Americans 55 and over control nearly 70% of U.S. wealth. On its own that's interesting, but it's even more intriguing in consideration of the fact that in the 1989, when this kind of data was first tracked, the number was closer to 50%. Stop and think about these statistics.

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In thinking about them, contemplate why Social Security was formerly the "Third Rail" of politics. The answer is that in the not-too-distant past those in retirement or nearing it had quite a bit less money. Social Security mattered to them simply because it factored quite a bit larger in retirement budget planning.

Perhaps even more important, the fact that Social Security formerly loomed large in the future changed the behavior of individuals who could envision retirement. Cognizant that people were living longer lives and eager to be well taken care of while living longer, they somewhat clearly saw that Social Security wouldn't be the source of a plush, post-retirement existence.

At which point they did for themselves what policy types were trying to do for them through public policy. In short, they saved for themselves in private accounts much more exposed to actual market securities, equities most notably. Policy types had long been promoting private accounts populated with higher-yielding fixed income securities, and much higher-returning (over time) equities, but as evidenced by the calcified nature of Social Security (and its accounts that past and future recipients didn't and don't constitutionally own) payouts to this day, nothing was achievable in Washington.

The good news, as the wealth of the 55+ set attests, was that solutions proposed by policy types were late to the game. Markets wait for no one, including nominally free market solutions like privatized Social Security accounts.

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None of what's written is meant to disdain the policy solutions, as much as it's to say that forward looking scholars and politicians improved the terms of the retirement discussion, only for the solutions to take place in the actual marketplace. In 2024, retirees and those heading to it have a lot of money. They essentially privatized on their own.

To which no doubt more than a few members of the free market camp in policy and politics will say that the answer to all the private retiree wealth is to reform programs like Social Security that aren't remotely as necessary as they once were. No, no need. Policy is so overrated. Programs like Social Security show us why.

They all start out small, only to grow big. Assuming Social Security were "reformed" as the deficit hawks in our midst clamor for, government wouldn't shrink as much as money saved would find its way to new programs that will, like Social Security, start out small. No thanks. Let's keep Social Security, and let it "crowd out" the awful programs that would follow it. Markets privatized Social Security, let's not allow them to privatize yet another bad government idea.

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